

**Muskogee County Rural Water District No. 1
Oktaha, Oklahoma**

Financial Statements and Auditors Reports

Year Ended December 31, 2020

Audited by

**BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP**

BROKEN ARROW, OK

Muskogee County Rural Water District No. 1
Oktaha, Oklahoma
Board of Directors
December 31, 2020

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Jimmy Roper

Vice-Chairman

John Standridge

Secretary/Treasurer

Mark Ridley

Member

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Member

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Steve Ledford

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Muskogee County Rural Water District No. 1
Oktaha, Oklahoma
December 31, 2020

TABLE OF CONTENTS

	<u>Page</u>
Board of Directors	1
Table of Contents	2
Independent Auditor's Report	3
Management's Discussion and Analysis	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	9
Disposition of Prior Year's Significant Deficiencies	11
Schedule of Audit Results	12
<u>COMBINED FINANCIAL STATEMENTS:</u>	
Statement of Net Position	13
Statement of Revenues, Expenses and Changes in Net Position	14
Statement of Cash Flows	15
Notes to Financial Statements	16
<u>OTHER SUPPLEMENTARY INFORMATION:</u>	
Schedule of Water Rates and Customers (unaudited)	22



BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

Eric M. Bledsoe, CPA
Jeffrey D. Hewett, CPA
Christopher P. Gullekson, CPA

P.O. BOX 1310 • 121 E. COLLEGE ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Muskogee County Rural Water District No. 1
Oktaha, Oklahoma

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Muskogee County Rural Water District No. 1 (the District), Oktaha, Oklahoma, as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of December 31, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The prior year "memorandum only" comparative information and the supplementary information on page 22 presented for the purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

April 5, 2021

RURAL WATER DISTRICT NO. 1, MUSKOGEE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

Our discussion and analysis of the Rural Water District No. 1, Muskogee County's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2020. Please read it in conjunction with the District's financial statements that begin on page 13.

FINANCIAL HIGHLIGHTS

- The District's total operating revenues exceeded total operating expenses by \$52,932. Overall, the District's cash and cash equivalents increased by \$58,024 in the current fiscal year.
- The District is indebted by one note to Oklahoma Water Resources Board.
- The District memberships stayed consistent in 2020, increasing from 927 to 930 active accounts.
- The District earned \$6,590 in interest in 2020.

Using This Report

This report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's basis of accounting.

Basis of Accounting

The District has elected to present its financial statements in the accrual basis of accounting. According to the accrual basis, revenues are recorded when earned and expenses are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

The Financial Statements

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows report information about the District and about its activities in a way that helps answer this question.

These three statements report the District's net position and the changes in them. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in water rates paid or charged and the condition of the District's water system, to assess the overall health of the District.

The District has only one type of fund or activity, which is defined as *Business-type activities*. This is considered a proprietary fund. This means the District charges a fee to customers to help it cover all or most of the cost of certain services it provides.

Net Position, and Changes in Net Position

The District's Net Position was higher in 2020, increasing from \$990,906 to \$1,046,816. Our analysis below focuses on the Net Position (Table 1) and Changes in Net Position (Table 2) of the District's business-type activities.

Table 1 – Net Position:

	<u>2020</u>	<u>2019</u>	<u>Variances</u>
Current and other assets	\$ 612,712	504,869	107,843
Capital assets, net	<u>571,331</u>	<u>604,827</u>	<u>(33,496)</u>
Total Assets	<u>\$ 1,184,043</u>	<u>1,109,696</u>	<u>74,347</u>
Current liabilities	\$ 54,027	56,447	2,420
Long-term liabilities	<u>83,200</u>	<u>112,600</u>	<u>29,400</u>
Total Liabilities	<u>\$ 137,227</u>	<u>169,047</u>	<u>31,820</u>
Net investment			
in capital assets	\$ 458,731	465,127	(6,396)
Restricted	<u>49,740</u>	<u>50,257</u>	<u>(517)</u>
Unrestricted	<u>538,345</u>	<u>475,522</u>	<u>62,823</u>
Total Net Position	<u>\$ 1,046,816</u>	<u>990,906</u>	<u>55,910</u>

Net Position of the District increased by 5.64 percent (\$1,046,816 compared to \$990,906). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$475,522 to \$538,345.

Table 2 – Changes in Net Position:

	<u>2020</u>	<u>2019</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 406,006	424,414	(18,408)
Interest	6,590	8,109	(1,519)
Total Revenues	<u>412,596</u>	<u>432,523</u>	<u>(19,927)</u>
Expenses:			
Salaries, taxes and benefits	85,486	91,915	6,429
Maintenance and repairs	21,550	21,012	(538)
Insurance	17,303	20,543	3,240
Other expenses	192,304	189,172	(3,132)
Depreciation	36,431	38,129	1,698
Interest on debt	3,612	6,335	2,723
Total Expenses	<u>356,686</u>	<u>367,106</u>	<u>10,420</u>
Changes in Net Position	55,910	65,417	(9,507)
Net Position, Beginning	<u>990,906</u>	<u>925,489</u>	<u>65,417</u>
Net Position, Ending	<u>\$ 1,046,816</u>	<u>990,906</u>	<u>55,910</u>

The District's total revenues decreased by 4.61 percent (\$19,927). The total cost of all services (expenses) decreased by 2.84 percent (\$10,420).

Capital Assets

At December 31, 2020, the District had \$571,331 invested in capital assets, net of depreciation, including land, the water system, vehicles and equipment. Capital assets of \$2,935 were added in 2020, which was the purchase of a laptop for meter readings.

Long-Term Debt

The District is indebted to Oklahoma Water Resources Board on one note obtained for previously extensive extensions and payment of other debts. The outstanding principal balance owed on the note decreased from \$139,700 to \$112,600 during the 2020 fiscal year.

Economic Factors and Next Year's Budget and Rates

The District has absorbed some of the City of Muskogee's rate increases, but may be forced to increase customer rates if additional increases are made by the City of Muskogee. It is anticipated that the Board will approve a rate increase for the 2021 fiscal year.

The District's budget for fiscal year 2021 will remain much like previous years budgets. Your Board of Directors does anticipate small budget changes made primarily to better allow for office and field personnel operations, without the necessity of hiring additional part-time or permanent employees.

Contacting the District's Management

This report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District Office at P.O. Box 156, Oktaha, OK 74450 or call (918) 682-7903.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Muskogee County Rural Water District No. 1
Oktaha, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the Muskogee County Rural Water District No. 1 (the District), Oktaha, Oklahoma, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 5, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting in order to determine our auditing procedures that are appropriate for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2020-1, not to be a material weakness.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in the internal controls that we considered to be a material weakness.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

April 5, 2021

MUSKOGEE COUNTY RURAL DISTRICT NO. 1
Disposition of Prior Year's Significant Deficiencies
December 31, 2020

2019-1 Lack of Segregation of Duties

The exception that there were inherent limitations resulting from a small number of employees performing functions that would normally be divided among employees were a larger number available which prevented a proper segregation of accounting functions which is necessary to assure adequate internal accounting controls continued in the current fiscal year.

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 1
Schedule of Audit Results
December 31, 2020

Section 1 – Summary of Auditor’s Results:

1. An unmodified opinion report was issued on the financial statements.
2. The audit reported a significant deficiency in the internal controls (item 2020-1), which was not considered a material weakness.
3. The audit disclosed no instances of noncompliance, which are material to the financial statements.

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS:

2020-1 – Lack of Segregation of Duties

Condition-

The inherent limitations resulting from a small number of employees performing functions that would normally be divided among employees were a larger number available prevent a proper segregation of accounting functions, which is necessary in order to assure adequate internal accounting controls.

Criteria-

An organization should ensure that there is a proper segregation of duties regarding cash collections and the payment of expenses.

Cause-

The District is not large enough to justify the hiring of additional personnel.

Effect-

There is always the possibility that not all collections are actually receipted or deposited, and the possibility that funds expended are not used for actual District obligations.

Recommendation-

The current procedures should not be changed. However, there should be additional personnel instilled into the collection, receipt, deposit, reconciliation and payment procedures when this becomes economically possible.

Response-

Additional personnel will be hired when the actual funds are available.

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 1

Statement of Net Position

December 31, 2020

	2020	-Memorandum- -Only- 2019
<u>ASSETS:</u>		
Current Assets:		
Cash and cash equivalents	\$ 262,465	209,064
Investments	261,851	256,711
Accounts receivable	33,714	34,210
Prepaid insurance	4,942	4,884
Total current assets	<u>562,972</u>	<u>504,869</u>
Restricted Assets-		
ORWB project trust funds - Debt service	9,825	10,440
ORWB project trust funds - Debt service reserve	39,915	39,817
Total restricted assets	<u>49,740</u>	<u>50,257</u>
Capital Assets-		
Land	20,635	20,635
Building, plant and water systems	1,694,831	1,694,831
Other capital assets	199,256	196,321
Total capital assets	<u>1,914,722</u>	<u>1,911,787</u>
Less: accumulated depreciation	<u>(1,343,391)</u>	<u>(1,306,960)</u>
Total capital assets (net)	<u>571,331</u>	<u>604,827</u>
TOTAL ASSETS	<u>\$ 1,184,043</u>	<u>1,159,953</u>
<u>LIABILITIES:</u>		
Current Liabilities:		
Accounts payable	\$ 21,843	25,893
Accrued interest	2,784	3,454
Current portion of long-term debt	29,400	27,100
Total current liabilities	<u>54,027</u>	<u>56,447</u>
Long-term Debt	<u>83,200</u>	<u>112,600</u>
Total Liabilities	<u>137,227</u>	<u>169,047</u>
<u>NET POSITION:</u>		
Net investment in capital assets	458,731	465,127
Restricted for debt service	49,740	50,257
Unrestricted assets	<u>538,345</u>	<u>475,522</u>
Total Net Position	<u>1,046,816</u>	<u>990,906</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,184,043</u>	<u>1,159,953</u>

The accompanying notes to the financial statements are an integral part of this statement

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 1
Statement of Revenues, Expenses and Changes in Net Position
For The Year Ended December 31, 2020

	2020	-Memorandum- -Only- 2019
Operating Revenues:		
Water sales	\$ 391,881	410,963
Fees and fines	2,500	1,000
Benefit units	7,000	9,000
Meters	3,200	1,200
Other sources	1,425	2,251
Total revenue from operations	<u>406,006</u>	<u>424,414</u>
Operating Expenses:		
Salaries and benefits	85,486	91,915
Water purchases	151,567	147,141
Repairs and maintenance	21,550	21,012
Supplies and materials	11,703	16,765
Vehicle expense	879	1,618
Utilities and telephone	3,368	3,853
Insurance	17,303	20,543
Office expense and postage	11,511	8,044
Depreciation	36,431	38,129
Professional fees	6,570	4,850
Dues and fees	2,638	3,553
Miscellaneous	4,068	3,348
Total expenses from operations	<u>353,074</u>	<u>360,771</u>
Operating Revenue Over Expenses	52,932	63,643
Non-Operating Revenues (Expenses):		
Interest income	6,590	8,109
Interest paid on long-term debt	(3,612)	(6,335)
Total non-operating revenues (expenses)	<u>2,978</u>	<u>1,774</u>
Change in Net Position	55,910	65,417
Total Net Position, beginning of period	<u>990,906</u>	<u>925,489</u>
Total Net Position, end of period	<u><u>\$ 1,046,816</u></u>	<u><u>990,906</u></u>

The accompanying notes to the financial statements are an integral part of this statement

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 1**Statement of Cash Flows**
For the Year Ended December 31, 2020

	2020	-Memorandum- -Only- 2019
Cash Flows from Operating Activities:		
Receipts from customers	\$ 406,502	419,576
Payments to employees	(85,486)	(94,168)
Payments to vendors	(235,265)	(234,444)
Net Cash Provided by Operating Activities	85,751	90,964
Cash Flows from Investing Activities:		
Interest earned on investments	6,590	8,109
Net Cash Provided by (used in) Investing Activities	6,590	8,109
Cash Flows from Capital and Related Financing Activities:		
Principal paid on long-term debt	(27,100)	(154,000)
Interest paid on long-term debt	(4,282)	(7,659)
Acquisition of capital assets	(2,935)	0
Net Cash Provided by (used in) Capital and Related Financing Activities	(34,317)	(161,659)
Net Increase (Decrease) in Cash	58,024	(62,586)
Cash and cash equivalents, beginning of period	516,032	578,618
Cash and cash equivalents, end of period	\$ 574,056	516,032
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating Income	\$ 52,932	63,643
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation Expense	36,431	38,129
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	496	(4,838)
(Increase) decrease in prepaid insurance	(58)	147
Increase (decrease) in accounts payable	(4,050)	(6,117)
Net cash provided by operating activities	\$ 85,751	90,964

The accompanying notes to the financial statements are an integral part of this statement

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 1

Oktaha, Oklahoma

Notes to the Financial Statements

December 31, 2020

Note A – Significant Accounting Policies

Business Activity

Muskogee County Rural Water District No. 1 (the District) was formed under the provisions of Title 82, O.S. 1981, Sections 1324.1-1324.26 inclusive. The District operates as a nontaxable government agency to service residents of the Muskogee County Rural Water District No. 1. The District's primary income is from the sale of water to its members in an area around Oktaha, Oklahoma.

Basis of Accounting

The financial statements are prepared on an accrual basis of accounting, which is in compliance with accounting principles generally accepted in the United States of America (GAAP), and which recognizes revenues when earned and expenses as incurred. Interest earnings on certificates of deposit are recorded when such interest is actually received by the District. Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements.

Deposits and Investments

The District's cash accounts at December 31st, are detailed as follows:

	December 31,	
	2020	2019
Cash on hand	\$ 300	300
Armstrong Bank, Checotah, Ok- Revenue account	237,837	175,149
Operation & Maintenance account	26,089	33,615
Less: Outstanding checks	(1,761)	-
Bank of Oklahoma- ORWB Trust Accounts- Debt Service account	9,825	10,440
Debt Service Reserve account	39,915	39,817
Total	<u>\$ 312,205</u>	<u>259,321</u>

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 1

Oktaha, Oklahoma

Notes to the Financial Statements

December 31, 2020

Note A – Significant Accounting Policies – cont'd

The District's investments are detailed as follows:

	<u>2020</u>	<u>2019</u>
Armstrong Bank, Checotah, Ok- Certificate of deposit no. 544353, dated 8-22-20, due 2-22-21	<u>\$ 261,851</u>	<u>256,711</u>

Oklahoma Statutes authorize the District to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the District can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

Bank deposits are held at several financial institutions and are carried at cost. For purposes of statements of cash flows, the District considers cash and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Custodial Credit Risk - At December 30, 2020, the District held deposits of approximately \$575,517 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk – The District has no policy that limits its investment choices other than the limitations of state law, as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 1

Oktaha, Oklahoma

Notes to the Financial Statements

December 31, 2020

Note A – Significant Accounting Policies – cont'd

- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a-d).

The investments held at December 31, 2020 are as follows:

	Wtd. Avg Maturity	Credit Rating	Market	Cost
Money market/checking	N/A	AAAm	\$ 263,926	263,926
Trust accounts	N/A	AAAm	49,740	49,740
Certificates of deposit	1.5 Yrs	N/A	261,851	261,851
Total Deposits			<u>\$ 575,517</u>	<u>575,517</u>

Concentration of Investment Credit Risk – The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 45% in Certificates of Deposit (\$261,851), 9% in Trust Accounts (\$49,740) and 46% in Money Market funds (\$263,926).

Fair Value of Financial Instruments – The District's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and notes payable. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair values because of the short maturity of these instruments.

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 1
Oktaha, Oklahoma
Notes to the Financial Statements
December 31, 2020

Note A – Significant Accounting Policies – cont'd

Accounts Receivable

Billings for accounts receivable at December 31, 2020 were \$33,714. No allowance for doubtful accounts was computed because the effect of bad debts on the financial statements is not considered material.

Memorandum Totals

The “Memorandum Only” captions above the total columns indicate that amounts are presented for overview information purposes only.

Accumulated Unpaid Vacation and Sick Pay

At December 31, 2020, no determination of the aggregate dollar value of vacation or sick pay had been made.

Capital Assets

Any items purchased or constructed in excess of \$1,000 and a useful life of over two years is considered a capital (fixed) asset by the District, and will be depreciated over a specific time. Capital assets are valued at cost, depreciation is computed by use of the straight-line method. The estimated useful lives of these assets are as follows:

Land	N/A
Office furniture & fixtures	5-10 years
Equipment & tools	5 years
Transportation equipment	5 years
Water & sewer system	50 years
Buildings	25 years
Computer equipment	3 years

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 1
Oktaha, Oklahoma
Notes to the Financial Statements
December 31, 2020

Note A – Significant Accounting Policies – cont'd

The capital asset information for the District is shown below:

	12/31/2019 Amount	Additions	Deletions	12/31/2020 Amount
Land	\$ 20,635	-	-	20,635
Building	62,919	-	-	62,919
Plant and water sys.	1,631,912	-	-	1,631,912
Vehicles and equip.	196,321	2,935	-	199,256
Total Capital Assets	1,911,787	2,935	-	1,914,722
Less: Accumulated Depreciation	(1,306,960)	(36,431)	-	(1,343,391)
Total	<u>\$ 604,827</u>	<u>(33,496)</u>	<u>-</u>	<u>571,331</u>

Note B – Notes Payable

The District has a promissory note in the amount of \$430,000 with the Oklahoma Water Resources Board (OWRB), dated March 31, 1998, for a period of 25 years. The District makes monthly deposits into the trust account at the Bank of Oklahoma. The trust account then makes the quarterly payments of principal and interest to the OWRB. The current interest rate on this note is 3.225%. The water system and future water revenues are used as security for this note.

	<u>2020</u>	<u>2019</u>
Oklahoma Water Resources Board note payable, issued for \$430,000, dated 3-31-98, at 3.225% interest, due in semi-annual installments, until paid;	\$ 112,600	139,700
Less: Current maturities of long-term debt	<u>(29,400)</u>	<u>(27,100)</u>
Total Long-Term Debt	<u>\$ 83,200</u>	<u>112,600</u>

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 1

Oktaha, Oklahoma

Notes to the Financial Statements

December 31, 2020

Note B – Notes Payable – cont'd

The scheduled maturities for the next five (5) years, and in total thereafter, are detailed as follows:

	<u>OWRB</u>
2021	\$ 29,400
2022	31,800
2023	34,300
2024	<u>17,100</u>
Total	<u>\$ 112,600</u>

Note C – Subsequent Events

Management has evaluated subsequent events through April 5, 2021, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

MUSKOGEE COUNTY RURAL DISTRICT NO. 1
Schedule of Water Rates and Customers
-Unaudited Information-
December 31, 2020

Water Rates:

0 – 1,000 gallons	=	\$18.00
1,000 – 1,999 gallons	=	\$21.00
2,000 – 2,999 gallons	=	\$25.00
3,000 – 3,999 gallons	=	\$29.00
4,000 – 4,999 gallons	=	\$32.00
5,000 – 5,999 gallons	=	\$35.00
6,000 – 6,999 gallons	=	\$39.00
7,000 – 7,999 gallons	=	\$42.00
8,000 – 8,999 gallons	=	\$45.00
9,000 – 9,999 gallons	=	\$48.00
10,000 – 10,999 gallons	=	\$52.00
11,000 – 11,999 gallons	=	\$56.00
12,000 – 12,999 gallons	=	\$60.00
13,000 – 13,999 gallons	=	\$64.00
14,000 – 14,999 gallons	=	\$68.00
15,000 – 15,999 gallons	=	\$72.00
16,000 – 16,999 gallons	=	\$76.00
17,000 – 17,999 gallons	=	\$80.00
18,000 – 18,999 gallons	=	\$84.00
19,000 – 19,999 gallons	=	\$88.00
Over 20,000 gallons	=	\$4.25 per 1,000 gallons

Water Loss:

	<u>2020</u>	<u>2019</u>
Total gallons purchased	68,735,216	66,140,224
Total gallons sold to District customers	<u>(56,177,458)</u>	<u>(56,097,022)</u>
Total water loss	<u>12,557,758</u>	<u>10,043,202</u>
Percentage of water loss	<u>18.3%</u>	<u>15.2%</u>

Customers:

The District had 930 active customers at the close of the fiscal year.

Current membership fee structure:

- \$1,000 per meter if meter is already in place
- \$1,500 per meter for new meter with line on side of road
- \$2,500 per meter for new meter that requires road bore (line on other side of road)